



**Testimony of Shane Rock, CEO, Interfaith Works
to the Montgomery County Council on FY21 Operating Budget**

April 16, 2020

Greetings Council President Katz and Members of the Council.

We are grateful for Montgomery County's continued support of our work to help people lift themselves out of poverty and homelessness. We are partners in providing vital services to the most vulnerable in our community. Never has that work been more important to our homeless or impoverished neighbors than during the Covid-19 pandemic.

We recognize that adopting a FY21 Operating Budget will require difficult decisions among many important competing priorities. We urge you resist reducing resources to provide essential services for the most vulnerable and least advantaged of our neighbors.

Those who have the least unfortunately tend not to have the loudest voices in the political battles for resources. As one of the front-line nonprofits confronting inequity, poverty and homelessness in our County, consider this statement one of 17,000 testimonies—the number of Montgomery County residents who needed our services in the last year—all testifying to the same critical needs.

The most critical consideration in the FY21 budget is to make sure that Interfaith Works and peer nonprofits have the resources we need to meet the needs of the most vulnerable in our community. We join Nonprofit Montgomery on four key points:

- 1) Maintain the Community Grants and programs moved to base budget contracts that are recommended in the County Executive's FY 21 Operating Budget;
- 2) Maintain the recommended 1.5% increase for nonprofit contracts with the Department of Health and Human Services that is recommended in the County Executive's budget;
- 3) Add an additional 2.5% increase to nonprofit contracts in DHHS for a total increase of 4%; and
- 4) Provide a 4% increase for nonprofit base budget contracts in all other County Departments (including Recreation, DHCA, etc.).

Why are these contract increases so important to Interfaith Works? The base pay of our essential front-line staff—the heroes who are operating our shelters and site-based permanent housing programs—is just above the county minimum wage; \$13.11 an hour for our lowest paid employees. To keep on track to meet the county's \$15.00 minimum wage for nonprofits by 2024, we must raise those wages by at least 4% in

FY21 and each succeeding year¹. Even then, we will be at a competitive disadvantage with for-profits by 2022 for low wage workers. We cannot afford to have our workforce choosing fast food service over providing essential services to the most vulnerable, because hourly fast food or retail wages are significantly higher. Because more than 70% of the revenue Interfaith Works relies upon to pay our staff and other costs of operation comes from government sources, we can only increase the compensation of our staff if those contracts support the increased expense.

In addition to including the financial resources to make our work possible, we need access to those resources sooner. The county's current contract reimbursement system does not work for non-profits in the time of Covid-19. Many nonprofits are struggling to manage cash flow during the crisis, and many may face an uncertain future in FY21 when things begin to return to something closer to normal. To ensure that Interfaith Works and other nonprofit organizations are able to continuing serving the community, Montgomery County should adopt a contract advance policy similar to other jurisdictions whereby at least one month (one-twelfth of an annual contract) of contract funding is paid to the nonprofit in July, the first month of the new fiscal year. That money would be paid under the contract to the nonprofit anyway, but under the current system nonprofits bear all the cash flow burden of expending the money in July and not receiving reimbursement until September or later. By advancing one month's contract dollars, the nonprofits will have operating capital to lessen their cash flow burden. The advance would be "repaid" by crediting one-twelfth of the amount in each month's invoice to the county. This systemic change would help stabilize the county's nonprofit partners for FY21 at no additional cost to the county.

Sincerely,



Shane Rock

CEO, Interfaith Works

On behalf of Interfaith Works' 17,000 clients, 110 professional staff, and more than 10,000 annual volunteers

¹ See attached "IW Analysis of Wages for Lowest Wage Employees based upon various contract increase rates."



IW Analysis of Wages for Lowest Wage Employees based upon various contract increase rates

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	
MoCo Minimum Wage - nonprofit*	\$ 12.00	\$ 12.50	\$ 13.25	\$ 14.00	\$ 14.50	\$ 15.00	
MoCo Minimum Wage - % increase		4.2%	6.0%	5.7%	3.6%	3.4%	Min wage % inc. required by law
Min. IW wage w/avg 2% inc			\$ 13.37	\$ 13.64	\$ 13.91	\$ 14.19	
Min. IW wage w/avg 3% inc	\$ 12.48		\$ 13.50	\$ 13.91	\$ 14.33	\$ 14.76	
Min. IW wage w/avg 4% inc		\$ 13.11	\$ 13.63	\$ 14.18	\$ 14.75	\$ 15.34	Min rate inc. for IW to comply by 2024
Min. IW wage w/avg 5% inc			\$ 13.77	\$ 14.45	\$ 15.18	\$ 15.94	
Min. IW wage w/avg 6% inc			\$ 13.90	\$ 14.73	\$ 15.61		
Min. IW wage w/avg 7% inc			\$ 14.03	\$ 15.01			Min rate inc. to match businesses by 2022

Boldface indicates minimum compliance with law

* Minimum wage for nonprofits with 11 or more employees under enacted bill 28-17